

# AGEM Index

Association of Gaming Equipment Manufacturers

October 2011

**V**olatility continues to drive the broader equities markets. Although the United States markets ended the month of October with significant gains, the journey was a roller coaster. Of the 21 trading days, the Dow Jones Industrial Average posted only six with a gain or loss of less than 100 points. The remaining 15 days witnessed larger swings in activity, recording a one-day increase as high as 336.48 points and a one-day loss as low as -274.21 points. For the month, the Dow Jones Industrial Average expanded 9.5 percent, Standard & Poor's 500 Index increased 10.8 percent, and the NASDAQ Composite gained 11.1 percent.

The overall improvement in equities likely pushed many of the AGEM Index members upwards as well, erasing the substantial loss from the prior month. The AGEM Index increased by 18.00 points during the month of October, up 17.0 percent from the prior month, to end with a composite score of 123.79. Based on points, the latest period represents the largest single-month gain since the index began in 2005 and on a level not seen since June 2008, or six months into the Great Recession.

Selected positive contributors to the index during the month included the following:

- International Game Technology (IGT) contributed 6.19 points to the index from a 21.06-percent gain in its stock valuation.
- Lottomatica (LTO) posted a 17.67-percent increase in its stock price, contributing 4.22 points to the overall index.

Selected negative contributors to the index included:

- Konami (KNM) reported a month-to-month decline of 1.96 percent in its stock price, removing 0.50 points from the index, but the stock remains nearly double where it stood one year ago.
- Transact Technologies (TACT) contributed negative 0.01 points to the index, sourced to a 3.58-percent drop in its stock valuation.

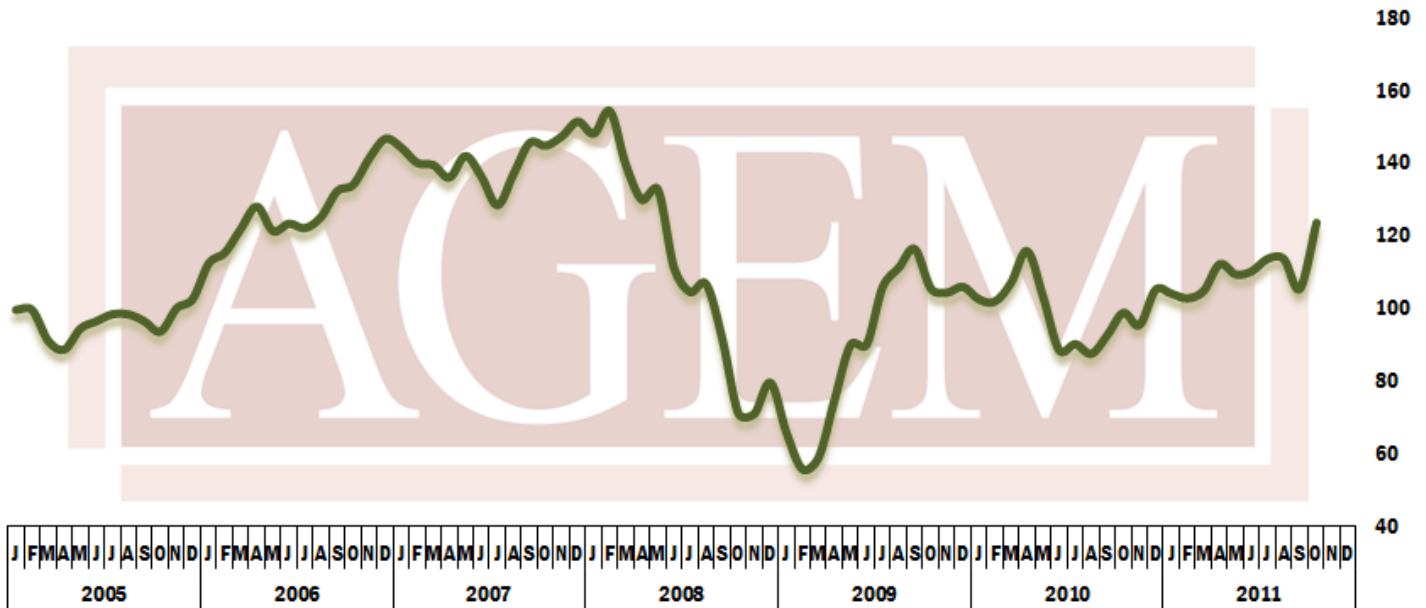
Positive moves from foreign exchanges against the dollar assisted in the index's expansion. Additionally, the index of global gaming suppliers is also down to 16 members, as GameTech International is no longer trading on the NASDAQ.

AGEM	Exchange: Symbol (Currency)	Stock Price At Month End			Percent Change			Index Contribution
		Oct-11	Sep-11	Oct-10	Prior Period	Prior Year		
Ainsworth Game Technology	ASX: AGI (AU\$)	0.35	0.37	0.15	(6.76)	130.00	0.01	
Aristocrat Technologies	ASX: ALL (AU\$)	2.27	2.10	3.51	8.10	(35.33)	1.34	
Astro Corp.	Taiwan: 3064 (NT\$)	50.00	49.00	50.50	2.04	(0.99)	0.02	
Bally Technologies	NYSE: BYI (US\$)	36.27	26.98	36.08	34.43	0.53	3.03	
Elixir Gaming Technologies	AMEX: EGT (US\$)	0.30	0.26	0.41	15.43	(26.83)	0.03	
Gaming Partners International	Nasdaq: GPIC (US\$)	6.75	6.62	5.40	1.96	25.00	0.01	
Global Cash Access	NYSE: GCA (US\$)	2.98	2.56	3.64	16.41	(18.13)	0.18	
IGT	NYSE: IGT (US\$)	17.59	14.53	15.59	21.06	12.83	6.19	
INTRALOT S.A.	ATHEX: INLOT (€)	1.05	0.87	3.14	20.69	(66.56)	0.34	
Konami	NYSE: KNM (US\$)	33.05	33.71	17.53	(1.96)	88.53	(0.50)	
Lottomatica (GTECH)	MILAN: LTO.MI (€)	13.85	11.77	11.98	17.67	15.61	4.22	
Multimedia Games	Nasdaq: MGAM (US\$)	6.61	4.04	3.92	63.61	68.62	0.63	
Shuffle Master	Nasdaq: SHFL (US\$)	10.61	8.41	9.41	26.16	12.75	0.84	
Transact Technologies	Nasdaq: TACT (US\$)	7.82	8.11	7.87	(3.58)	(0.64)	(0.01)	
Wells-Gardner Electronics	AMEX: WGA (US\$)	2.42	2.37	1.93	2.11	25.39	0.00	
WMS Industries	NYSE: WMS (US\$)	21.91	17.59	43.63	24.56	(49.78)	1.68	
Change in Index Value							18.00	
AGEM Index Value: September 2011							105.80	
<b>AGEM Index Value: October 2011</b>							<b>123.79</b>	

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Broader economic and financial conditions are expected to continue to play a role in overall market volatility, including debt issues in the Eurozone. The Euro's stability notwithstanding, the regulatory environment, consumer confidence, and ultimately end-user spending will press the market forward. Given the latest post-quarter timing, it is a good time to review the latest third quarter earnings performances of selected AGEM Index contributors.

Bally Technologies reported revenues of approximately \$195.0 million for the three months ending September 30, 2011. While revenues rose 14.1 percent compared to the same quarter last year, costs and expenses also increased (15.2 percent) over the same period. Adjusted EBITDA edged up from \$57.8 million to \$59.1 million. Of the various revenue streams, sales of gaming equipment posted the largest gain, rising 26.3 percent to \$64.4 million in the first fiscal quarter of 2012. Revenues were largely sourced to North America, at 81.4 percent of the total, but international markets are consuming a larger piece of the pie than they were a year ago when North America held a greater 85.3 percent share of all revenues. It is important to note that of the 2,329 units sold in the United States and Canada over the three-month period, 2,179 (93.6 percent) were replacement machines. Revenue overseas also posted a significant increase compared to

the same three months ending in 2010, expanding 44.4 percent to \$36.2 million.

From revenues of €740.9 million in the third quarter ending September 30, 2011, EBITDA at Lottomatica increased 18.7 percent to €237.0 million. While 92.8 percent of all revenues were generated from services, product sales continued to rise to €53.0 million, or 35.8 percent, compared to the same three months in 2010. Of the various revenue segments, Lottomatica's Italian operations witnessed the largest gain in revenue, growing at an aggressive 54.8 percent to €458.5 million. Although wagers from sports betting operations in the country declined (11.1 percent) compared to the last year partially due to the World Cup, machine gaming wagers more than doubled as a result of new video lottery terminals.

Assuming initial third quarter earnings reports foreshadow an overall positive trend for global gaming manufacturers, the future may give way to additional demand for sector stocks and improving confidence. While the AGEM Index is closer to reaching its prerecession peak, it will be some time before global gaming suppliers report commensurate earnings levels achieved prior to the economic downturn.

**AGEM**

## The AGEM Index

The Association of Gaming Equipment Manufacturers (AGEM) produces the monthly AGEM Index that comprises 17 global gaming suppliers throughout the world. A total of 12 suppliers are based in the United States and are listed on the NYSE, Nasdaq, or AMEX, while two trade on the Australian exchange, one supplier trades on the Athens exchange, one trades on the Milan exchange, and another trades on the Taiwan OTC exchange. The index is computed based on the month-end stock price (adjusted for dividends and splits) of each company and weighted based on approximation of market capitalization. Market capitalizations for manufacturers trading on foreign exchanges have been converted to US dollar-equivalents as of month-end for comparability purposes. The AGEM Index is based on a 100-point value as of January 2005.

## About AGEM

AGEM is an international trade association representing manufacturers of electronic gaming devices, systems, and components for the gaming industry. The Association works to further the interests of gaming equipment manufacturers throughout the world. Through political action, tradeshow partnerships, information dissemination and good corporate citizenship, the members of AGEM work together to create benefits for every company within the organization. Together, AGEM and its member organizations have assisted regulatory commissions and participated in the legislative process to solve problems and create a positive business environment.

## AGEM Index

The AGEM index and overview is prepared by Applied Analysis (AA). AA is a Nevada-based advisory services firm providing consultation services for public and private entities. The company utilizes extensive experience in economics, information technology and finance to provide a wide range of services, including urban economic consulting, financial advisory services, market analysis, public policy analysis, hospitality industry and gaming consulting, and information system and technology consulting.



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## AGEM Membership Roster

The current AGEM membership roster, 109 strong, is a who's who of the supplier segment of the global gaming industry:

### AGEM Gold Members:

- Aristocrat Technologies
- Aruze Gaming America
- Austrian Gaming Industries
- Bally Technologies
- GTECH / Spielo International
- International Game Technology (IGT)
- Intralot S.A.
- Konami Gaming
- WMS Gaming

**AGEM Silver Members:** Action Gaming, American Gaming Systems (AGS), Casino Technology, JCM Global, MEI, Multimedia Games, Shuffle Master, Suzo-Happ Group, TCSJohnHuxley and Wells-Gardner Electronics.

**AGEM Bronze Members:** Abbiati Casino Equipment, AC Slots (ACS), Acres 4.0, Ainsworth Game Technology, Alfastreet, Astro Corp., Bingotimes Technology, Cadillac Jack, Cammegh Limited, Cantor Gaming, Crane Payment Solutions / CashCode / Money Controls, Diamond Game, DigiDeal, Digital Display Group, Euro Games Technology (EGT), Galaxy Gaming, Gaming Partners International, Gaming Support, Glory (U.S.A) Inc., Incredible Technologies, Inspired Gaming, Interblock USA, Iverson Gaming Systems, JPM International, Jumbo Technology, Lightning Gaming, Matsui Gaming Machine Co., MCA Processing, Modern Gaming, Patriot Gaming & Electronics, Rocket Gaming Systems, Table Trac and Winning Asia Technology.

**AGEM Associate Members:** 3M Touch Systems, Advantech-Innocore, Casino Enterprise Management, CMYK Creative, Cole Kepro International, Cooper Levenson, Cybertec Gaming Systems, DynaGraphic Printing, Elite Casino Products, Esterline Advanced Input Systems, Eurocoin, Flextronics, Fox Rothschild, FutureLogic, Gaming Capital Group, Gary Platt Manufacturing, Gemaco, Global Cash Access, Global Gaming Group (G3), Grand Products, Greenberg Traurig, Hanco Technologies, Heber Ltd., Howard & Howard, IDX, Intel, IPS, James Industries, KEY-BAK, Kreller Group, Leap Forward Gaming, Lewis & Roca, Lincoln Industries, Masterpiece Advertising, Nanoptix, Outpost Creative, Phelps Dunbar, Proforma GPS, Quixant Ltd., Rainmaker, Regulatory Management Counselors (RMC), Rye Park Gaming, Sanmina-SCI, SCA Gaming, Strategy9, StylGame USA, Talent Associates, The Bright Group, Tournament One, Trade Show Fabrications, TransAct Technologies, Trans-Lux, Veridocs, Wrex Products and Young Electric Sign Company (YESCO).